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Business
Review



Cembra Money Bank AG is a leading Swiss provider of consumer finance products and services. Its product range includes personal loans, auto leases and loans, credit cards and insurance sold with these products, as well as invoice financing, deposit and savings products.



Online Version



Annual Report (pdf)



Business Review



The online version and the full version of the Annual Report 2018 are available under: reports.cembra.ch

The Business Review is published in English and German.

Cover image: **Samra Lamgadar**, successful karateka and one of Cembra Money Bank's 23 apprentices.

CHF 2,335,500,000

was the market capitalisation of Cembra Money Bank by the end of 2018

66,500,000

credit card transactions were processed by Cembra Money Bank during 2018

870,000

customers trust Cembra Money Bank as their preferred partner

855

employees from 37 different nations work for Cembra Money Bank

27

sales area managers serve more than 3,900 car dealers across Switzerland

CHF 3.75

is the ordinary dividend per share proposed to the Annual General Meeting

Key Facts & Figures

<i>(CHF in millions)</i>	2018	2017	2016	2015
Net revenues	438.8	396.3	394.0	388.7
Provision for losses	-50.1	-45.1	-44.6	-43.6
Total operating expenses	-193.0	-167.9	-167.5	-161.5
Net income	154.1	144.5	143.7	145.0
Total assets	5,440	5,099	4,857	4,745
Net financing receivables	4,807	4,562	4,073	4,063
Personal loans	1,885	1,782	1,720	1,784
Auto leases and loans	1,974	1,942	1,641	1,661
Credit cards	940	833	711	617
Others	8	5	-	-
Shareholders' equity	933	885	848	799
Cost/income ratio (in %)	44.0	42.4	42.5	41.5
Return on shareholders' equity (ROE in %)	16.9	16.7	17.4	17.7
CET 1 capital ratio (in %)	19.2	19.2	20.0	19.8
Employees (full-time equivalent)	783	735	705	715
Credit rating (S&P)	A-	A-	A-	A-
Basic earnings per share (in CHF)	5.47	5.13	5.10	5.04
Ordinary dividend per share (in CHF)	3.75	3.55	3.45	3.35
Share price (in CHF)	77.85	90.85	74.20	64.40
Market capitalisation	2,336	2,726	2,226	1,932

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CEO Interview

Robert Oudmayer, Chief Executive Officer of Cembra Money Bank, plans to invest CHF 40 million in digitisation and product development over the next three to four years. An interview about a successful financial year, the Bank's fifth anniversary, plans for the future, its long-term strategy – and the heart and greatest asset of the Bank: its employees.

How would you characterise the past financial year?

We are very pleased with our 2018 financial results. It is the best full-year result in the history of our Bank. We again delivered on our targets in a competitive market environment, with profitable growth in all our business lines. Our net income increased by 7% to a record CHF 154.1 million. All products contributed to a robust 5% growth in net financial receivables and an 11% growth in net revenues. Our return on equity of 16.9% is well above the target level of 15%. We have extended our customer base in 2018 and now serve our products to 870,000 customers. A big thank you goes to our more than 850 dedicated employees, who made this record result possible.

What makes Cembra so successful?

Cembra has a stable business model, a sound strategy and excellent performance. This is reflected in our results. We also have a long tradition and extensive experience in consumer finance. Since the IPO five years ago, Cembra has always delivered on its promises. Our investors appreciate this stability. We offer excellent customer service and have highly committed employees, who are willing to go the extra mile.

What is on your agenda for the next few years?

Our aim is to further grow our footprint in Switzerland. We want to explore new revenue streams, develop new markets and products – but clearly all consumer finance-related. At the same time, we are investing in improving our digital customer journey.

“In 2018, we achieved the best result in the history of our company.”

We will defend our strong market position in personal loans. In addition, we are looking at new partnerships and will be promoting the online business. The same goes for auto leasing, where we already have strong partnerships and a strong standing in the used car market. Even though the car market is highly competitive and not really growing, we aim to maintain our strong market position in both the new and used car markets.

In the credit cards business, we want to continue to grow. Our biggest partner is Migros, and we also have partnerships with Fnac, TCS, Conforama and Interio, plus Cembra has its own credit card. Our ambition is to sign one or two new partnerships.

Cembra announced that it will invest about CHF 40 million in the next three to four years. Where will this investment be made?

We are investing in the future of our business. About CHF 20 million will be invested into digitisation. We spend money in our new origination and servicing platform to simplify the customer journey, gain efficiency and manage our costs. This digital journey

is set out for the long term. At the same time, we have allocated CHF 20 million to new product developments. We have selected an innovation team, which is exploring the possibility of entering the SME market. We believe there is a market for small businesses in Switzerland that is not fully served yet. And we are planning innovations in the cards business and investing in the growth of Swissbilling, which is of strategic importance to us.

What are your plans in relation to new payment technologies?

We are staying on top of all developments, so that we can offer our customers attractive payment solutions. As I always said, our strategy is to be a smart follower rather than a leader. We are not in a position to invest in all the new technologies. Cembra supports the smartwatches Garmin Pay and Fitbit Pay. In 2018, we introduced Samsung Pay and launched our first mobile app for our eService application, and since January 2019 we also offer SwatchPAY.

In recent years, Cembra has made several acquisitions and entered various partnerships. How are they developing?

The partnership with eny Finance is developing very well. Lendico is still in the pilot phase, and we will decide this year how we will continue. The partnerships with Harley-Davidson, Hyundai and Honda are doing very well.

“We again delivered on our targets, with profitable growth in all business lines.”

In 2017, we acquired EFL Autoleasing AG, which is now successfully integrated into the Bank. This acquisition enabled us to strengthen our position as a leading player in the auto leasing business. And with our subsidiary Swissbilling, our aim is to increase in size. We are investing, we have doubled the number of employees, we have opened an office in Zurich, and we have signed a major contract with localsearch.

What is the Bank’s long-term strategy?

We continue to pursue our proven strategy, which is based on three pillars. First of all, we want to defend our core business, where we are strong. We do this by acquiring new customers, while retaining a competitive cost/income ratio. Secondly, we are building the future by investing heavily in digitisation and in transforming our Bank from a product-oriented to a more customer-centric organisation. And finally, we are open to new partnerships and acquisition opportunities to increase our scale in Switzerland. We maintain our focus on continuous growth in our home market.

Most importantly, we want to remain to be a reliable and stable Bank for our customers, shareholders and a great place to work for our employees.

What makes Cembra an attractive employer?

At Cembra, we believe in equality and in diversity. We support our employees in combining work and private life by offering flexible working solutions wherever possible, including part-time and home office. The key to our success lies in each and every employee, who we support with various training and development programmes. We want to ensure that our employees are challenged and satisfied in their job and that they have the necessary skills to perform successfully in the market. In early 2019, we were recognised as a great place to work by the Great Place To Work organisation. We are very proud of that certification.

About Cembra Money Bank

HISTORY

The roots of Cembra Money Bank date back to 1912 with the foundation of Banque commerciale et agricole E. Uldry & Cie. in Fribourg, which was later renamed to Bank Prokredit. GE Capital merged Bank Prokredit in 1999 with Bank Aufina which had been acquired in 1997. The new GE Capital Bank was renamed GE Money Bank in 2006. In October 2013, the Bank separated from its parent company GE, went public and was rebranded as Cembra Money Bank AG. The Bank is named after the Swiss pine tree Cembra (*Pinus cembra*), a sturdy and resilient tree with strong roots. It symbolises the strength and geographical background of the Bank. In 2018, Cembra celebrated its fifth anniversary.

PRODUCTS

Headquartered in Zurich, the Bank has operations across Switzerland with a distribution network of 18 branches, independent intermediaries, credit card partners, car dealers and online sales channels.

The Bank is a leading player in the **personal loans** market in Switzerland, offering a personalised premium service and efficient decision-making. Since 2017 Cembra also offers **invoice financing** through its subsidiary Swissbilling AG.

Cembra is the biggest brand-independent **auto leasing** player in Switzerland, with an estimated market share of 17%. The products

are sold via a distribution network of more than 3,900 car dealers acting as intermediaries. A dedicated sales force of 27 field agents and the employees at three service centres provide a personalised, flexible and efficient service.

The Bank offers a range of **credit cards** through partner programmes with Migros, Conforama, TCS, Fnac and Interio, and also has its own credit card. Cembra is offering attractive features with its different credit cards, such as collecting Migros Cumulus points, cash back, personalised design or credit cards with no annual fees. At the end of 2018, Cembra had 892,000 credit cards issued.

Furthermore, the Bank offers **deposit and savings products** at competitive interest rates, for both retail customers and institutional clients.

Along with personal loan, auto lease and loan products, Cembra offers payment protection insurance products to its customers. These **insurance products** provide financial protection in case of involuntary unemployment, accident, illness or disability. Cembra also provides travel and flight accident insurance and card protection insurance to its credit card customers. For all insurance products, the Bank acts as an intermediary.

Cembra Money Bank AG is a leading Swiss provider of consumer finance products and services. The company has been listed as an independent Swiss bank on the SIX Swiss Exchange since October 2013. The Bank is headquartered in Zurich and has 855 employees from 37 nations.

870,000

customers

Attractive financial products and an outstanding customer service have enabled Cembra to extend its client base year after year. As of 31 December 2018, 870,000 customers had placed their trust in Cembra Money Bank as their preferred partner.

5
JAHRE
ANS
ANNI
YEARS



Portraits of Our Employees

Our employees are the heart of our Bank and the key to our success. By embodying the values of our company culture – engagement, customer focus, responsibility and diversity – they make the difference for our customers. They go the extra mile, both at work and for their hobbies.

Photographer Gian Marco Castelberg has captured images of ten of our employees pursuing their hobbies for our Business Review.





































SABRINA DONATO
Scuba diver

Team Member Customer Service Credit Cards

I started scuba diving in 2013 and am fortunate enough to have seen the underwater world around the globe. My favourite dive spots are in Mexico and the Philippines.



SAMRA LAMGADAR
Karateka

Apprentice

Karate means everything to me! I started when I was five years old. Thanks to karate, I have gained a lot of self-confidence and I feel ready for anything.



LUCA DI MASO
Furniture designer

Team Manager Customer Service

Designing furniture gives me the relaxation and peace I need after a busy day at work – and the opportunity to employ my creativity.



MANUEL TRABER
Lead guitarist in the Saddle Creek Country Band

Vendor Manager

To me, playing music during weekly rehearsals and on stage means being immersed in another world. I can totally switch off and recharge my batteries. The regained energy and calmness also benefits me in my job.



CAROLIN SCHULZE
With truffle dog Oli

Senior Communications Specialist

Oli's joy at a found truffle is more rewarding than the delicacy itself. With his positive energy he gives me inner peace, serenity and confidence every time we stroll through nature.



SRAVANTHI ALLANKU
Yoga teacher

Treasury Analyst

Yoga really is a lifestyle. I started practising yoga as a child and it helped me keep my balance as I went through ups and downs in life. I am still learning; yoga offers me something new every day, while giving me inner strength and peace at the same time.



ANDREAS ITTEN
Drone pilot

IT Systems Analyst

I came across this hobby by chance and loved it immediately – it comes very close to my dream of flying. Flying with goggles opens up completely new views and perspectives. It requires concentration and a lot of responsibility and expertise.

MARCO PIBIRI
Motorbike racer

Director Credit Card Partnerships

Since I was a child I have been fascinated by this sport. Now I'm lucky enough to travel the Grand Prix tracks of Europe in the summer months. During wintertime, I train on indoor tracks. To me, racing a motorbike is the perfect complement to my office job.



ANDREAS HOFMANN
Alpine hiker

Treasury Analyst

Alpine hiking makes me be honest with myself. On a new route, I have to constantly evaluate the terrain against my skills and decide if I can do this. It has taught me to listen to my gut and that sometimes turning back is the right thing to do.



EDINA JUNG
Triathlete

Senior Legal Counsel & Corporate Secretary

Triathlon is an extremely versatile sport. It's a lifestyle I wouldn't want to miss. To race along the lake enjoying nature to the full represents pure happiness and passion for me. Time and again I am amazed at what is possible when I overcome my mental limits, which also helps me to go the extra mile in my job.

Corporate Social Responsibility

INTEGRITY OF PRODUCTS AND SERVICES

The integrity of products and services is crucial to the Bank's strategy and to preserving the Bank's future success. In addition to complying with regulatory requirements, Cembra takes its responsibility seriously and requires that employees always act in the best interests of the Bank and its customers. A binding Code of Conduct describes and calls for ethically and professionally correct behaviour in various situations.

CUSTOMER ORIENTATION

The Bank follows its objective to provide customers with personalised solutions. Personal customer relationships and responsible, competent advisory services drive the Bank's success. Cembra takes its responsibility towards customers and society very seriously, placing high importance on customer focus and responsible lending. In addition to the strict consumer credit legislation in Switzerland, Cembra has implemented additional criteria to assess its customers' financial circumstances and personal situation.

EMPLOYEE DIVERSITY AND DEVELOPMENT

Employees are the key to the success of Cembra Money Bank. They embody and share Cembra's values and drive the Bank's future. Employee diversity and development are a

core element of the Bank's corporate culture, and the Bank strives to offer an inspiring and collaborative workplace for its employees. Professional and social skills are strengthened through internal and external training. The Bank offers flexible solutions such as part-time or home office work, as its leadership team is convinced that flexible ways of working are a means to increase job satisfaction, employee commitment, productivity and retention. In autumn 2018, Cembra participated in the Trust Index® employee survey of Great Place To Work® and was awarded to be a great place to work.

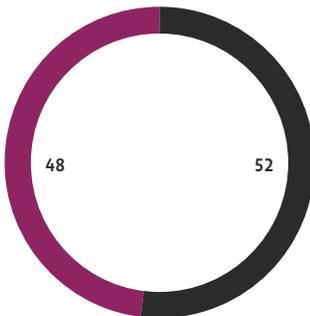
SOCIAL ENGAGEMENT

The Bank encourages its employees to get involved in charitable projects. Cembra's volunteer programme with partners such as the Theodora Foundation and Childhood Cancer Switzerland, not only aims to give something back to the community, but also provides an ideal way for employees to take on new responsibilities and further explore and develop their personal skills.

Cembra generates competitive advantage and wealth in the long-term by actively taking into account the interests and expectations of its most relevant stakeholders. Based on the challenges and opportunities the Bank faces, four key areas of corporate social responsibility have been identified.

Gender split of employees in %

The share of women in the Bank is 48%. At the management level it is 30%.



■ Women
■ Men

855

Employees from 37 different nations work for Cembra Money Bank.



Cembra Money Bank is proud to be a certified Great Place To Work.

Significant Developments

BUSINESS DEVELOPMENT

In March 2018, Cembra Money Bank announced a partnership with the start-up Lendico Schweiz AG. Lendico, a subsidiary of PostFinance AG, is an SME loan marketplace active in Switzerland since the end of 2016 and based in Zurich.

In May 2018, the credit rating agency Standard & Poor's reaffirmed the Bank's "A-" long-term counterparty credit rating with a stable outlook.

In June 2018, EFL Autoleasing AG (acquired in October 2017) was successfully merged with and integrated into the Bank. The transaction strengthened the Bank's position as the leading independent auto leases and loans provider in Switzerland.

During 2018, the Bank appointed three new members to its Management Board. In August, Niklaus Mannhart joined as Chief Operating Officer (COO). Niklaus Mannhart is a proven IT and operations expert with more than 20 years professional experience in IT, strategy consulting and as a Chief Operating Officer. In October, Pascal Perritaz joined as the new Chief Financial Officer. Pascal Perritaz is a seasoned finance expert with more than 20 years of experience with a global financial services group. Lastly, Jörg Fohringer joined in November as Managing Director B2B at the Bank. Jörg Fohringer has extensive experience in business transformation, development and the implementation of strat-

egies and marketing in the financial services, retail and telecommunications industries.

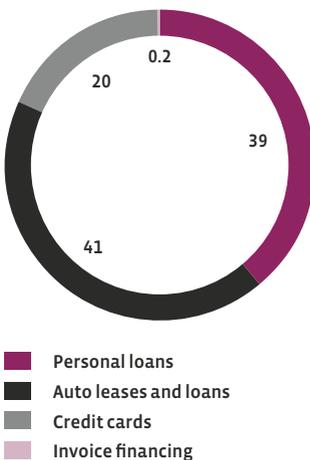
SUPPORTIVE ECONOMIC ENVIRONMENT

In 2018, the key economic indicators for the Group developed positively. Switzerland's GDP expanded by 2.5%, and private consumption continued to progress positively with an increase of 1.0%. The average unemployment rate in Switzerland for 2018 remained low at 2.6%. In 2018, Swiss interest rates ended almost at the same level as at the beginning of the year, despite large movements during the year. Low interest rates enabled the Group to raise new funding at favourable conditions and to continue to reduce its overall cost of funds.

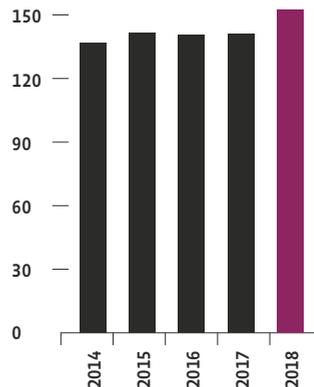
In personal loans, the Group defended its market position in a challenging environment with an estimated market share of approximately 34%. In auto leasing, the Group estimates its market share to be stable at around 17%. The credit card business continued to outgrow the market, with the Bank's market share increasing from 12% to 13%.

In 2018, Cembra focused on the digitisation of its core business and pushed innovation to further improve interaction with its customers. The Bank realigned the organisation, appointing three new members to its Management Board. A stable economic environment helped to strengthen its position as a leading consumer finance provider.

Net financing receivables in %



Net income in CHF millions





Cembra Management Board (from left):



Volker Gloe (Chief Risk Officer), **Dr Emanuel Hofacker** (General Counsel), **Daniel Frei** (Managing Director B2C), **Robert Oudmayer** (Chief Executive Officer), **Pascal Perritaz** (Chief Financial Officer), **Niklaus Mannhart** (Chief Operating Officer), **Jörg Fohringer** (Managing Director B2B).

Financial Review

GROWTH ACROSS ALL PRODUCTS

The Group's net financing receivables increased by 5% to a record CHF 4,807 million with organic growth across all products. In the personal loan business, receivables increased by 6% to CHF 1,885 million. Interest income declined by 3% to CHF 161.3 million, mainly due to the lower yield of the personal loan business, which amounted to 8.6%. Net financing receivables in the auto leases and loans business increased by 2% to CHF 1,974 million. Interest income increased by 17% to CHF 98.4 million, mainly driven by the acquisition of EFL Autoleasing AG. The yield of the auto financing business increased slightly to 5.0%. In the credit cards business, net financing receivables recorded 13% growth, reaching CHF 940 million by year-end 2018. Interest income in the cards business grew by 19% to CHF 71.7 million with an 8.0% yield. The number of credit cards issued by Cembra Money Bank amounted to 892,000, an increase of 11%.

RECORD RESULT

Net income increased by 7% to a record CHF 154.1 million. Net revenues increased by 11% to CHF 438.8 million with organic growth of 7%. Net interest income, which accounted for 70% of net revenues, increased by 9% to CHF 309.2 million. Interest income grew 7%, largely driven by higher credit card volumes and expansion in the loan business. An increased dividend per share of CHF 3.75 will be presented to the Annual General Meeting.

Cembra continued to benefit from the favourable interest rate environment with a decline of 16% in interest expense. Commissions and fee income contributed to 30% of net revenues. The 15% growth to CHF 129.6 million was mainly driven by strong credit card fee income.

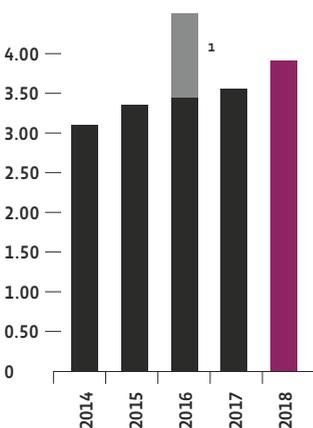
Provisions for losses of CHF 50.1 million were 11% higher as a result of growth in the loan portfolio and the full-year impact of acquisitions. Asset quality remained robust with a loss rate of 1.1% and a stable non-performing loans (NPL) ratio of 0.4%.

OUTLOOK

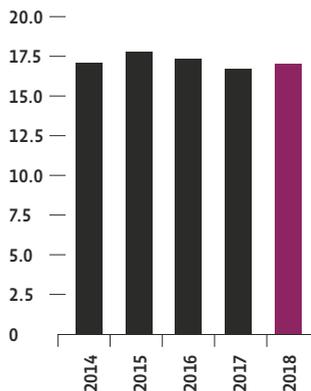
Cembra continues to invest in new origination and servicing platforms and launches further growth initiatives to extend the core products into new customer segments and distribution channels. The Group is expecting increased earnings per share between CHF 5.40 and CHF 5.70 for the financial year 2019.

In 2018, Cembra Money Bank reported the best full-year results in the history of the company. Net income increased by 7% to a record CHF 154.1 million. All products contributed to a 5% growth in net financing receivables and an 11% growth in net revenues. This translated into a 16.9% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 19.2%. An increased dividend per share of CHF 3.75 will be presented to the Annual General Meeting.

Dividend per share in CHF

¹ Extraordinary dividend

Return on equity (ROE) in %



Income Statement

<i>(CHF in millions)</i>	2018	2017	Variance	in %
Interest income	330.0	308.3	21.7	7
Interest expense	-20.8	-24.7	-3.9	-16
Net interest income	309.2	283.6	25.6	9
Commission and fee income	129.6	112.7	16.9	15
Net revenues	438.8	396.3	42.5	11
Provision for losses	-50.1	-45.1	5.0	11
Compensation and benefits	-105.8	-97.7	8.1	8
General and administrative expenses	-87.2	-70.3	16.9	24
Total operating expenses	-193.0	-167.9	25.1	15
Income before income taxes	195.7	183.3	12.4	7
Income tax expense	-41.6	-38.8	2.8	7
Net income	154.1	144.5	9.6	7
Earnings per share (in CHF)				
Basic	5.47	5.13	0.34	7
Diluted	5.46	5.12	0.34	7

Balance Sheet

<i>(At 31 December, CHF in millions)</i>	2018	2017	Variance	in %
Assets				
Cash and cash equivalents	499	418	81	19
Financing receivables, net	4,807	4,562	245	5
Financial investments	11	12	-1	-9
Property, plant and equipment, net	7	6	2	17
Intangible assets, net	33	26	7	27
Goodwill	16	15	1	7
Other assets	63	58	5	8
Deferred income taxes	5	3	1	67
Total assets	5,440	5,099	341	7
Liabilities and equity				
Deposits	2,827	2,627	200	8
Accrued expenses and other payables	157	144	12	8
Short-term debt	300	100	200	200
Long-term debt	1,198	1,321	-124	-9
Other liabilities	25	21	4	19
Total liabilities	4,507	4,214	293	7
Common shares	30	30	-	0
Additional paid in capital (APIC)	210	295	-85	-29
Treasury shares	-101	-101	0	0
Retained earnings	816	677	139	20
Accumulated other comprehensive loss (AOCI)	-21	-16	-6	38
Total shareholders' equity	933	885	48	5
Total liabilities and shareholders' equity	5,440	5,099	341	7

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